



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

February 24, 2003

Common Identification No. A-05-03-00012

Blaine O'Connell
Vice President, Chief Financial Officer
Froedtert Memorial Lutheran Hospital
9200 West Wisconsin Avenue
Milwaukee, WI 53226

Dear Mr. O'Connell:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services' (OAS) report entitled "Review of Medicaid Credit Balances at Froedtert Memorial Lutheran Hospital" as of August 31, 2002. A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification Number A-05-03-00012 in all correspondence relating to this report.

Sincerely yours,

Paul Swanson
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Cheryl Harris, Associate Regional Administrator
Centers for Medicare and Medicaid Services
Division of Medicaid, Region V
233 North Michigan Avenue
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICAID
CREDIT BALANCES AT
FROEDERT MEMORIAL
LUTHERAN HOSPITAL
MILWAUKEE, WISCONSIN**



JANET REHNQUIST
Inspector General

FEBRUARY 2003
A-05-03-00012

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
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In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services, reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Final determination on these matters will be made by authorized officials of the HHS divisions.



EXECUTIVE SUMMARY

OBJECTIVE

The audit objective was to determine whether the Medicaid credit balances recorded in Froedtert Memorial Lutheran Hospital's accounting records for inpatient and outpatient services represented overpayments reportable to the Medicaid program.

FINDINGS

The provider did not always identify and report Medicaid overpayments in a timely manner, as required by Federal and State regulations. In our opinion, this is due to:

- Provider policies and procedures, in effect as we started our review, which did not specify the Medicaid reporting requirement.

As a result, estimated Medicaid overpayments of \$20,601 (Federal share \$12,066) were not reported to the program in a timely manner. During our fieldwork, the Medicaid program recovered \$13,776 of the overpayment.

RECOMMENDATIONS

We recommend that Froedtert Memorial Lutheran Hospital:

- Ensure Medicaid overpayments of \$20,601 are recovered by the program, and
- Revise policies and procedures to ensure that existing and future overpayments are identified and reported in accordance with Medicaid and applicable State regulations.

PROVIDER RESPONSE AND OAS COMMENTS

Froedtert Memorial Lutheran Hospital concurred with the results of our review and has already initiated corrective actions with regards to the recommendations. We agree with the corrective actions taken, to date, to resolve the overpayments and in response to the procedural recommendation.

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Glossary of Abbreviations and Acronyms

CFR	Code of Federal Regulations
Froedtert	Froedtert Memorial Lutheran Hospital
GAMP	General Assistance Medical Program
HFS	Department of Health and Family Services
MA	Medical Assistance (i.e., Medicaid)

INTRODUCTION

BACKGROUND

Credit balances generally occur when reimbursement for services provided to a Medicaid beneficiary exceeds the charges billed. When a provider receives a duplicate payment from the Medicaid program, or receives payment from another payer after Medicaid reimbursement has been received, an overpayment exists and should be recovered by the Medicaid program. Credit balances also occur from errors in calculating contractual allowances, errors in calculating coinsurance and other accounting errors. In these cases, an overpayment is not likely to exist.

Governing regulations for the handling of Medicaid overpayments are found in Wisconsin Administrative Code HFS 106. According to Wisconsin Administrative Code, providers are required to refund Medicaid overpayments within 30 days of receipt or discovery, depending on the nature of the overpayment.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective. The objective of our audit was to determine whether the Medicaid credit balances recorded in Froedtert Memorial Lutheran Hospital's (Froedtert) accounting records for inpatient and outpatient services represented overpayments that should have been reported to the Medicaid program.

Scope. As of August 31, 2002, Froedtert identified 7,748 inpatient and outpatient credit balances, totaling \$2,608,761 and including 618 Medicaid credit balances amounting to \$404,948.

We did not perform a detailed review of Froedtert's internal controls. Our audit included extensive substantive testing, thereby reducing our need to perform an internal control review. We limited our review of internal controls to determining whether the provider had adequate policies and procedures for reviewing credit balances and reporting overpayments to the Medicaid program and whether we could rely on the content of the credit balance listings provided for audit purposes.

Other than the issues discussed in the Findings and Recommendations section of this report, we found no instances of noncompliance with applicable laws and regulations. With respect to those items not tested, nothing came to our attention to cause us to believe that the untested items were not in compliance with applicable laws and regulations.

Methodology. We reviewed 66 Medicaid credit balances, totaling \$304,650, with credit balances in excess of \$1,000. This included 33 inpatient accounts, totaling \$232,430, and 33 outpatient accounts, totaling \$72,220. We also reviewed 12 accounts, totaling \$235,533, with credit balances in excess of \$10,000 that were not identified as Medicaid credit balances.

To accomplish our objective, we:

- reconciled provider listings of all inpatient and outpatient credit balances, in total, to the providers accounting records, as of August 31, 2002;
- extracted the Medicaid credit balance list from the provider's listing of all inpatient and outpatient credit balances, as of August 31, 2002;
- reviewed Medicaid remittance advices, patient accounts receivable detail, patient invoices, patient registration forms and adjustment forms to determine the reasons for the credit balances and whether Medicaid overpayments had occurred; and
- identified overpayments from the inpatient and outpatient credit balances that should be reported to the Medicaid program.

Fieldwork was performed at Froedtert Memorial Lutheran Hospital, located in Milwaukee, Wisconsin, during October and November 2002, and in the Madison field office through November 2002.

Our audit was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Based on our review, we determined that the provider did not always identify and report overpayments in a timely manner to the Medicaid program in accordance with State regulations. Even though the provider had a policy to process credit balances within third party guidelines, our review disclosed that the policies did not specify the 30-day Medicaid reporting requirement. As a result, Medicaid overpayments of \$20,601 (Federal share \$12,066) were not reported to the Medicaid program in a timely manner.

We determined that the provider's policies and procedures, effective prior to August 31, 2002, did not state that Medicaid overpayments be refunded within 30 days of receipt or discovery, depending on the nature of the overpayment. Although provider staff did process and report overpayments periodically they were not aware of the Medicaid 30-day reporting requirement.

CRITERIA

Wisconsin Administrative Code HFS 106.03(7)(h) states:

“In the event a provider receives a payment first from MA and then from medicare, another health care plan or another third party payer for the same service, the provider shall, within 30 days after receipt of the second and any subsequent payment, refund to MA the MA payment or the payment from medicare, the health care plan or other third party, whichever is less.”

Wisconsin Administrative Code HFS 106.04(5)(a) states:

“... if a provider receives a payment under the MA program to which the provider is not entitled or in an amount greater than that to which the provider is entitled, the provider shall return to the department the amount of the overpayment, including but not limited to erroneous, excess, duplicative and improper payments, regardless of cause, within 30 days after the date of the overpayment in the case of a duplicative payment from MA, medicare or other health care payer and within 30 days after the date of discovery in the case of all other overpayments.”

UNTIMELY REPORTING OF OVERPAYMENTS

We found that Medicaid overpayments were not always reported within 30 days, as specified in the Medicaid regulations. We found that overpayments for inpatient credit balances sampled occurred 42 to 436 days prior to being reported. Similarly, overpayments for outpatient cases sampled occurred 97 to 542 days prior to being reported. The number of days between the overpayment and date the provider prepared its Medicaid adjustment request form, along with the corresponding refund amounts are summarized, as follows:

Medicaid Sample Results				
Refund Amounts and Days from Overpayment to Date Reported				
Days	Inpatient		Outpatient	
	Cases	Refund Amount	Cases	Refund Amount
31-120 Days	2	\$ 12,944	2	\$ 442
121-360 Days	1	727	2	1,368
Over 360 Days	1	4,667	1	453
Total	4	\$ 18,338	5	\$ 2,263

CAUSE

We attribute the untimely identification and reporting of overpayments to:

- Provider policies and procedures, in effect prior to August 31, 2002, which did not specify the 30-day Medicaid reporting requirement.

We noted that most overpayments were due to Medicaid paying even though another payer was responsible for the charges.

EFFECT

As a result of the provider not promptly identifying and reporting overpayments, Medicaid overpayments of \$20,601 (Federal share \$12,066) were not reported within the specified time periods. At the time of our review, \$13,776 in Medicaid overpayments had been recovered and \$6,825 remains outstanding.

RECOMMENDATIONS

We recommend that Froedtert Memorial Lutheran Hospital:

1. Ensure that Medicaid overpayments totaling \$20,601 (Federal share \$12,066) are recovered by the Medicaid program, and
2. Revise policies and procedures to ensure that existing and future overpayments are identified and reported in accordance with Medicaid and applicable State regulations.

PROVIDER RESPONSE

Froedtert Memorial Lutheran Hospital concurred with the results of our review and has initiated corrective action for specific errors resulting in Medicaid overpayments of \$20,601. Overpayments amounting to \$13,776 had been recovered at the time of the review and the remaining \$6,825 was returned to Medicaid on February 11, 2003. Further, Froedtert agreed with the procedural recommendation and has already initiated corrective actions.

OAS COMMENTS

We agree with the corrective actions taken, to date, to resolve the overpayments that were not properly reported to the Medicaid program within the 30-day reporting requirements. Further, we agree with the provider's corrective actions in response to the procedural recommendation.

OTHER MATTERS

During our review we identified unrecovered overpayments totaling \$221,457 due the General Assistance Medical Program (GAMP). The GAMP program is a community provider network that offers medical services to county residents that meet strict income guidelines. At the time medical services are provided the patient is not eligible for Medicaid. The GAMP program works to establish retroactive Medicaid coverage for patients, then contacts the provider to return GAMP funds. However, the provider generally waits until they receive payment from Medicaid before refunding the amount GAMP paid. We determined most refunds were generally processed in a timely manner. These credit balances represent valid Medicaid obligations and payments, and are not refundable to the Federal government.

APPENDIX

CAUSES OF MEDICAID OVERPAYMENTS

Medicaid Inpatient

Cause	Number	Refund Amount
➤ Medicaid made payment when another payer was responsible for the charges	3	\$ 17,611
➤ Payment error	1	727
TOTAL	4	\$ 18,338

Medicaid Outpatient

Cause	Number	Refund Amount
➤ Medicaid made payment when another payer was responsible for the charges	3	\$ 1,579
➤ Payment error	1	453
➤ Provider billed same services under two separate accounts	1	231
TOTAL	5	\$ 2,263

APPENDIX B

February 14, 2003

Froedtert Hospital

Mr. Paul Swanson
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services
233 North Michigan Avenue
Chicago, IL 60601

Re: Common Identification Number A-05-03-00012

Dear Mr. Swanson:

Thank you for your letter and draft audit report entitled *Review of Medicaid Credit Balances at Froedtert Memorial Lutheran Hospital*. We appreciate the opportunity to comment on the results of your audit. We agree with the observations and findings noted in the report. Following are Froedtert Hospital's responses to the two recommendations provided in the report.

1. Recommendation: Ensure Medicaid overpayments of \$20,601 are recovered by the program.

As stated in the draft audit report, \$13,776 of the overpayments had been recovered at the time of the review. The remaining \$6,825 was returned to Medicaid on 2/11/03.

2. Recommendation: Revise policies and procedures to ensure that existing and future overpayments are identified and reported in accordance with Medicaid and applicable State regulations.

We have revised our policies and procedures to ensure overpayments are identified and reported in accordance with Medicaid and applicable State Regulations. Staff members have been trained accordingly. We will be performing periodic quality assurance audits to ensure that staff members are adhering to the policies and procedures.

Froedtert Hospital remains committed to maintaining compliance with all Medicare/Medicaid rules and regulations. If I can be of any further assistance, please do not hesitate to contact me at 414-805-4291.

Sincerely,



Blaine O'Connell
Sr. Vice President Finance/Chief Financial Officer

ACKNOWLEDGMENTS

This report was prepared under the direction of Paul Swanson (RIGA). Other principal Office of Audit Services staff who contributed include:

Ross Anderson, *Audit Manager*

Donna Kern, *Senior Auditor*

Michael Carr, *Auditor*

Ken Joosse, *Auditor*

For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.